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SUBJECT: OPTIMISM ON U.S.-EU OPEN SKIES: DOT U/S SHANE'S
MEETING WITH TRANSPORT MINISTER CULLEN

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11. (SBU) Summary: In a May 17 meeting with Transport Minister Martin Cullen and the Ambassador, U.S. Undersecretary of Transportation for Policy Jeffrey Shane expressed optimism about concluding the U.S.-EU air services agreement this autumn. He believed that the U.S. Administration's efforts to allay Congressional concerns about new opportunities for foreign involvement in U.S. carriers, commercial decisions would position the EU Transport Council to consider those opportunities and the U.S.-EU agreement at its mid-October meeting. Given this scenario, U/S Shane recommended deferring discussion of "fall-back" options for U.S.-Irish aviation relations. Minister Cullen agreed that a win-win trans-Atlantic accord was within reach, "if both sides remained calm." He observed that Irish Government outreach over the past year had led western Ireland to accept the eventuality of the Shannon Stop's elimination, and he added that bilateral Open Skies would enhance the connectivity that underlies strong U.S.-Irish relations. U/S Shane and the Ambassador also encouraged Minister Cullen to assist U.S. Customs and Border Protection in upgrading operations at Shannon and Dublin Airports, and Minister Cullen agreed to confer with the Ambassador on this possibility in several weeks. End summary.

Prospects for the U.S.-EU Agreement

12. (SBU) In a May 17 meeting with Irish Transport Minister Martin Cullen and the Ambassador on the margins of the European Conference of Ministers of Transport (ECMT) in Dublin, U.S. Undersecretary of Transportation for Policy Jeffrey Shane expressed optimism about concluding the U.S.-EU air services agreement in October. He noted that the U.S. Department of Transportation (DOT) had originally aimed to issue in April a final rule on actual control of U.S. carriers and to seek EU Transport Council approval for the U.S.-EU agreement in June. DOT's 2005 Notice of Proposed Rulemaking (NPRM) on actual control, however, had prompted Congressional concerns about more foreign involvement in the commercial decisions of U.S. carriers. To allay those concerns, DOT had taken a slower track, issuing in May a Supplemental Notice of Proposed Rulemaking (SNPRM) on actual control that refined the safety, security, and defense-related aspects of the proposal, without eroding new opportunities for foreign investors. U/S Shane was confident

that Congress would not block DOT's intention to issue by late August a final rule on actual control that would be close in content to the SNPRM. This timetable would allow EU minister to begin analysis of the SNPRM now with a view to a conclusive discussion on the final rule and the U.S.-EU agreement at the mid-October EU Transport Council meeting.

13. (SBU) U/S Shane observed that the DOT rule on actual control and the U.S.-EU agreement would bring unprecedented change to the trans-Atlantic aviation market. The U.S.-EU agreement, he said, would move participant countries beyond the outmoded approach of bilateral accords into a new template for aviation relations. It was conceivable that even non-EU countries could join this template over time. Regarding the actual control of U.S. carriers, U/S Shane cited the challenge of moving beyond a six-decades-old administrative approach that had relegated foreign investors in U.S. carriers to a passive position, in contrast to foreign participation in other U.S. industries. Given the common-sense advantages of giving foreign investors more weight in the commercial decisions of U.S. carriers within the confines of current law, together with the fact that there would be no negatives for U.S. interests, U/S Shane did not expect that domestic opponents would succeed in persuading Congress to block DOT action on a final rule.

Postponing a Discussion on Bilateral Options

14. (SBU) In light of movement toward a U.S.-EU agreement, U/S Shane recommended deferring discussion of "fall-back" options for U.S.-Irish aviation relations. He noted the Irish Government's plans to privatize Aer Lingus in the fall, adding that the USG favored the privatization of state-owned airlines in Europe and elsewhere. He also acknowledged the Irish Government's anxieties about possible delays in the U.S.-EU agreement, as prospective investors in Aer Lingus

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would seek clarity on the availability of additional U.S. destinations for the carrier. U/S Shane suggested that, if efforts to conclude the U.S.-EU agreement in October failed, U.S.-Irish aviation relations could be revisited in the context of U.S. policy on Open Skies.

15. (SBU) Minister Cullen described U/S Shane's comments as encouraging and remarked that a win-win trans-Atlantic agreement was within reach, "if both sides remained calm." Cullen recounted that his meeting with Secretary Mineta last fall had facilitated a bilateral arrangement on the Shannon Stop requirement (within the U.S.-EU agreement) that acknowledged political sensitivities in western Ireland. He also observed that Irish Government outreach over the past year had led western Ireland to drop fierce resistance to the Shannon Stop phase-out and to accept the need for a new approach to the trans-Atlantic market. Cullen expressed hope that the October EU Transport Council would approve the U.S.-EU agreement, allowing the U.S.-Ireland annex provisions on the Shannon phase-out to begin on time in late October. "We want to move on to full Open Skies," stressed Cullen, noting Irish Prime Minister Bertie Ahern's focus on the issue. Cullen added that Open Skies would help to satisfy the Irish public's desire for new U.S. travel destinations, enhancing the connectivity that underlies traditionally strong U.S.-Irish relations.

Possibilities for CBP Pre-clearance

16. (SBU) U/S Shane encouraged Minister Cullen to assist U.S. Customs and Border Protection (CBP) to upgrade to full pre-clearance (adding agricultural and customs checks to current passport screening) at Dublin and Shannon Airports. He observed that CBP pre-clearance had been hugely successful in Canada, and he encouraged Cullen to confer with the Canadian Deputy Minister of Transport, Louis Ranger, at the

ECMT. He pointed out, moreover, that pre-clearance offered advantages in attracting trans-Atlantic passengers, as pre-cleared flights could land anywhere in the United States, not necessarily at international airports. The Ambassador elaborated that CBP staff had helped with two major arrests at Dublin Airport in recent weeks, which demonstrated the value of screening passengers before crossing the Atlantic. He also expressed concern that current congestion in CBP facilities would worsen with Open Skies, potentially requiring CBP to take a triage approach in pre-clearing flights. The Ambassador added that allowing Shannon Airport to move to full pre-clearance earlier than space-constrained Dublin Airport would enable the Irish Government to say that it was helping western Ireland to cope with the Shannon Stop phase-out.

¶7. (SBU) Cullen replied that the Irish Government supported a move to full pre-clearance at Shannon and Dublin as early as possible, and he said that he was aware of the Ambassador's discussions on this point with Irish carriers, parliamentary leaders, and U.S. firms. He cited Irish Government concern about increases in Dublin Airport congestion that had resulted from the addition of new Delta flights for the summer season. To map a way forward on pre-clearance, Cullen committed to meet in several weeks with the Ambassador and Dublin Airport Authority (DAA) Chief Executive Declan Collier. As part of that discussion, Cullen promised to correct some confusion in the DAA's initial responses to the Embassy on the matter (a reference to early DAA indications that expansion plans for Dublin Airport would not include upgrades for CBP facilities.)

Shared Transportation Infrastructure Challenges

¶8. (SBU) U/S Shane conveyed Secretary Mineta's regrets about missing the ECMT, as the Secretary was involved in National Transportation Week activities that focused in an unprecedented manner on congestion as an impediment to economic growth and job creation. U/S Shane recounted conversations with large U.S. companies on the economic costs of infrastructure bottlenecks, particularly for a nation that was import-reliant. He added that such problems were often global in nature, which was a strong reason to support the ECMT proposal to become an international Davos-like forum on transportation. Cullen (who chaired the ECMT proceedings in Dublin) agreed that the ECMT should be internationalized for this reason. He also pointed out that the Irish Government

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had set aside euro 34 billion for transportation infrastructure in a bid to re-balance economic and social opportunities throughout Ireland. The Government hoped, in other words, to curtail rapid expansion in the Dublin area to give other regions a chance to share in economic growth.

Participants

¶9. (U) Besides Minister Cullen, Irish participants in the meeting included: Pat "The Cope" Gallagher, Minister of State for Transport; John Murphy, Assistant Secretary for Aviation; and, Robin McKay, Principal for Aviation Regulation and International Relations. On the U.S. side were U/S Shane, the Ambassador, and econoff.

¶10. (U) U/S Shane cleared this message.
Kenny